

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2112 – SB 2207

March 14, 2016

SUMMARY OF ORIGINAL BILL: Expands the list of specialty license plates created for honorably discharged veterans to include Global War on Terrorism, Global War on Terrorism Era Veteran, Afghanistan War, and Afghanistan War Era Veteran. Revises the fee schedule for all honorably discharged veteran license plates by authorizing the issuance of one registration plate free of charge to any qualified applicant provided that one additional plate may be obtained by any eligible person upon payment of the regular registration fees under Tenn. Code Ann. § 55-4-111 plus payment of one-half of the fee provided for in Tenn. Code Ann. § 55-4-203(c)(1).

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$1,015,000/FY16-17/Department of Revenue

Decrease State Revenue –

\$5,524,300/Highway Fund/FY16-17

\$112,700/General Fund/FY16-17

\$5,526,800/Highway Fund/FY17-18 and Subsequent Years

\$112,800/General Fund/FY17-18 and Subsequent Years

SUMMARY OF AMENDMENTS (013646, 013952): Amendment 013646 substitutes the name of the plate for honorably discharged veterans of Operation Freedom's Sentinel and Operation Freedom's Sentinel Era Veteran to a plate for honorably discharged veterans of Afghanistan War and Afghanistan War Era Veteran in subdivision 13 of Section 1 in the original bill.

Amendment 013952 deletes Section 2 of the original bill and revises the fee schedule for all honorably discharged veteran license plates by authorizing the issuance of one registration plate to any qualified applicant upon payment of one-half of the regular registration fee under Tenn. Code Ann. § 55-4-111 plus payment of one-half of the fee provided for in Tenn. Code Ann. § 55-4-203(c)(1) for combat veterans who served in Vietnam, World War II, Korea, Operation Desert Storm, Bosnia, Operation Enduring Freedom, and the Global War on Terrorism.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Expenditures – Net Impact –

\$1,100/One-Time/Department of Revenue

Decrease State Revenue – \$144,500/Recurring/Highway Fund

\$2,900/Recurring/General Fund

General assumptions relative to registration costs and plate recipients:

- The cost of registration for cars and trucks is \$25.75 and \$18.85 for motorcycles. The cost of renewal plates for cars and trucks is \$21.50 and \$14.50 for motorcycles. Revenue from registration and renewals is allocated 98 percent to the Highway Fund and 2 percent to the General Fund.
- There are currently 34 existing license plates available to Tennessee veterans. The proposed legislation adds four more optional plates for eligible Tennessee veterans.
- Based on information from the Department of Revenue (DOR), there are 17,714 current registrations for existing veterans' license plates for combat veterans who served in Vietnam, World War II, Korea, Operation Desert Storm, Bosnia, Operation Enduring Freedom, and the Global War on Terrorism. These registrations result in annual revenue of approximately \$378,360 from honorably discharged veterans who purchase or renew a veteran's license plate.
- It is assumed that 25 percent of the existing plates, or 4,429, would be second or subsequent plates and would not be half-price under the proposed legislation as amended. The remaining 75 percent or 13,286 annual renewals will be half-price under the proposed legislation as amended resulting in a recurring decrease in state revenue of \$141,885 $[(\$378,360 \times 75.0\%) \times 50.0\%]$ beginning in FY16-17.
- Currently 95 percent of plates issued to veterans are for cars or trucks and the remaining 5 percent is issued for motorcycles. It is assumed these percentages will remain constant.

Assumptions relative to FY16-17 and Subsequent Years:

- DOR will manufacture 500 new specialty veteran car, truck, or motorcycle plates for combat veterans who served in Vietnam, World War II, Korea, Operation Desert Storm, Bosnia, Operation Enduring Freedom, and the Global War on Terrorism resulting in a one-time increase in state expenditures of \$2,125 $(\$4.25 \times 500 \text{ plates})$ in FY16-17. Under the bill as amended, DOR will recoup one-half of the cost to manufacture these new plates resulting in a net one-time increase in state expenditures of \$1,062.50 $[(\$4.25 \times 50.0\%) \times 500 \text{ plates}]$.
- An estimated 475 $(500 \times 95.0\%)$ new applicants, who are currently renewing a regular plate, will receive a half-price veteran specialty car or truck plate resulting in a

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recurring decrease in state revenue of \$5,375 [(\$21.50 x 50.0%) x 500 applicants] beginning in FY16-17.

- Another 25 (500 x 5.0%) applicants will receive a half-price motorcycle plate resulting in a recurring decrease in state revenue of \$181.25 [(25 x (\$14.50 x 50.0%))] beginning in FY16-17.
- The total recurring decrease in state revenue, including new plates and current renewals that will be half price under the proposed legislation, is estimated to be \$147,441.25 (\$141,885 + \$5,375 + \$181.25) beginning in FY16-17; therefore, the recurring decrease in state revenue to the Highway Fund is estimated to be \$144,492.43 (\$147,441.25 x 98.0%) beginning in FY16-17; and the recurring decrease in state revenue to the General Fund is estimated to be \$2,948.83 (\$147,441.25 x 2.0%) beginning in FY16-17.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee" followed by the letters "RNC" in a smaller, less distinct script.

Krista M. Lee, Executive Director

/lsc